

GLOBALIZATION AND ITS EFFECTS WITH SPECIFIC REFERENCE TO THE INDIAN INDUSTRY

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ABSTRACT

This article defines globalization and attempts to detail out its various aspects like market interconnectedness, similarity of markets and interdependent markets. The opportunities and challenges of globalization are discussed briefly. The advantages as well as disadvantages of globalization on the Indian industry are spelt out at the end.

KEYWORDS: Globalization, Market Interconnectedness, Indian Industry

INTRODUCTION

Development of business activities, competition and markets on worldwide basis is generally referred to as globalization. In economic terms, globalization is referred to as the increasing interdependence between national economies and markets. An increasing degree of cultural interaction and convergence between the countries of the world, describes globalization from a sociological perspective. From business point of view, globalization refers to as the condition where the markets are increasingly global in nature, the tendency for transnational businesses to design their business activities on a world-wide basis and to co-ordinate and integrate their strategies and operations across national boundaries (Stone house et al, 2004). Thus, from business perspective, interest centers on the globalization of markets, production and the supply chain.

LITERATURE REVIEW

Technological change, social, political and economic developments have resulted in a global market which has common tastes and product preferences, which has led to the manufacturing of globally standardized products. This has driven the world toward a 'global village' or 'converging commonality', thus achieving world economies of scale (Levitt, 1983). However, simultaneously, consumer tastes have become more sophisticated and the demand is for differentiated products (goods and services), instead of the standardized ones. Since the sophistication of the needs and wants of the consumers drives the strategy, the markets may be essentially global in nature, yet have to be flexible and responsive enough with local orientation, rather than being rigidly standardized.

Globalization brings both opportunities and challenges; it liberates and constrains; it creates the largest markets ever known and allows the potential players to be smaller than ever (Kourdi, 2003). The forces arising from globalization that affect strategy are as follows: (a) Power is increasingly out of proportion to size. In the global economy, it is not simply size that is important; it is other intangible factors such as scarcity or reputation.

Firms are able to exert great power and influence if they have something scarce and valuable to offer as earlier they were competing only within the local or national market, but with globalization the demand was now much bigger. Business, thus, becomes better either through increase in prices or increase in volumes. (b) Globalization demands firms to act fast and be flexible, especially in technological developments so that they stay ahead of competition. (c) The more global we become, the more tribal is our behaviour. The more we become economically interdependent, the more we hold

on to what constitutes our core basic identity. (d) Globalization has also led to the realization that there are many geographic opportunities beyond the current sphere of operations.

Challenges of Global Markets: Involvement in global markets present a number of challenges for the firms, which influence their competitive advantage in the global markets, and also determine how fast they can achieve economies of scale and scope, while realizing synergies from operations in a multi-country environment. While developing a strategy that would make it more competitive, the firm must deal with change, complexity, competition and conscience, which are four interrelated challenges of global marketing strategy (Craig and Douglas, 1996). In order to be able to keep pace with change, the marketing strategy of the firm should be continuously monitored and reviewed so as to take care of new economic, technological, political and social realities.

The effect of these forces in different geographic areas makes it more complex as market configurations evolves, challenging the ability of the firm to handle the widespread and diverse operations. Another challenge which firms face in global markets is the increasing intensity and accelerated speed of competition, with competitors' actions also accelerating change and increasing the degree of complexity. In addition, growing awareness and concern with social responsibility and ethical issues, such as environmental protection and conservation, or consumer rights, requires that the firm develops a social conscience, and takes care of this while shaping its global marketing strategy.

Market Interconnectedness is a method of international portfolio analysis based on a consideration of the interconnectedness of geographic markets and product businesses (Douglas and Craig, 1996). This aids organization to determine strategic portfolio units based on market interconnectedness, as well as competitive strength, and attractiveness of the market. In assessing geographic market interconnectedness, three distinct levels or dimensions need to be distinguished: 1) linkages at the macroeconomic level, which include trade flows, the market infrastructure, and regional market integration, reflecting the integration of the context in which a firm does business, 2) links at the product market level, which include flows of goods and related services, parallel imports, common distributor networks, and other factors, and 3) links at the firm level, such as, supply from a common production plant or use of a common sales force or service organization.

In addition to considering the interconnectedness of geographic markets, management should also assess interconnectedness across product business and examine market similarity. Similarity of markets suggests opportunities for consolidating operations, particularly in terms of marketing strategy. Product businesses may be interconnected in a number of ways—for example, through serving a common target market, sharing a common production or distribution facility, or benefiting from the same research and development, information technology, or marketing knowledge and experience. Product businesses or lines may benefit from a strong corporate image, utilize a family branding strategy, or share a common sales force or other marketing expenditures.

Product businesses may thus be interconnected at different levels of the value chain, both within and across geographic markets. Linkages may occur in upstream activities such as sourcing of raw materials, or downstream activities such as outbound logistics, distribution, sales, and marketing. Market similarity can be assessed on the same three levels as market interconnectedness. The major difference is that with similarity, mutual interdependence does not exist, but rather, similarity allows the firm to employ common strategies across multiple markets and enjoy certain scale economies.

Interdependent markets are those where a series of linked domestic industries has led to a competitive arena that has shifted beyond national boundaries. Market similarity and interdependence operate in complementary ways (Grein, 2000). A firm may have the opportunity to employ similar strategies if it operates in markets that are similar to one

another or more interdependent. Other benefits of standardization are the ability to achieve economies of scale in production, lower costs, and strengthen brand awareness (Levitt, 1983). Standardization between markets is possible when markets are both economically and culturally similar to each other and when interdependence exists between markets.

If an industry has a similar structure in every country with respect to rivals, buyers, and so on, the presumption is that competition is global, and the five forces analyzed from a global perspective will set average profitability (Porter, 2008). Higher globalization of trade has led to an increasing number of firms to explore outside their traditional indigenous markets and focus on high-growth export markets not only to grow but also to ensure their very survival (Sousa, 2004). As a result, exporting has become increasingly important for firm. To measure the export performance of a firm, the author identifies various parameters which are related to sales, profit, market, and other critical issues, which are both objective as well as subjective in nature. Since export performance is a multidimensional concept, use of many parameters is essential for its reliable evaluation.

DISCUSSIONS AND CONCLUSIONS

One of the major advantages of globalization for emerging countries like India is the size of the market available for doing business. This has increased the business opportunities multifold. It is much easier to cater to the international markets either from the home country or by setting up shops at an advantageous location in foreign land.

One of the models has been through acquisition of existing businesses as adopted by Tata Steel, Tata Motors Limited, Suzlon Energy Limited, Bharat Forge Limited, Essar Steel, Hindal co Industries and many others.

The other popular model has been investing in joint ventures or wholly-owned subsidiaries abroad, which has been adopted by companies in the infrastructure, agriculture, pharmaceuticals, telecommunications, manufacturing and hospitality sectors among others.

The other clear advantage of globalization for our country has been the inflow of foreign direct investment. Foreign companies have set up shops in India due to the quality of human resource and the cost at which it is available. This has led to better employment opportunities for the Indian working class.

However, globalization has also led to increase in competition for the Indian companies on all the three fronts of cost, quality and delivery. This is very clearly visible in the automobile sector across all segments.

The other aspect has been the greater ease with which it is possible to import goods from other countries. All the known brands in the consumer goods category have made their presence felt on Indian soil. The impact of this effect has been still greater in case of industrial goods. As it has happened in other parts of the world, Indian companies are also facing the challenge of fighting-off Chinese competition in almost all categories, be it in the power or the steel sector.

Globalization has technically shrunk the world. The dependency amongst economies has increased. Thus, a crisis in one of the major economies paralyzes the dependent economies. Such occurrences have been common during the past decade, major one being the 2008 crisis in the United States of America. The Euro zone continues to be in great difficulties, while economies like the BRICS (Brazil, Russia, India, China and South Africa) nations are still feeling the heat of the crisis.

The beneficiary of globalization has thus been the end user. With the options of the buyers increasing, it is now a buyers' market. Greater the competition, higher is the need to innovate to improve quality, reduce cost, and decrease cycle time so as to create a differentiating feature for the product. This ultimately results in preservation of global resource.

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